China Success Finance Group Holdings Limited
中國金融發展（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT	FOR THE YEAR ENDED 31 DECEMBER 2018 *(RMB '000)*	FOR THE YEAR ENDED 31 DECEMBER 2017 *(RMB'000)*	CHANGE IN
Revenue	56,078	89,822	-37.6%
Other revenue	4,964	2,983	66.4%
Profit before taxation	23,181	32,343	-28.3%
Profit for the year	5,281	15,651	-66.3%
Total comprehensive income for the year	8,003	11,522	-30.5%
Basic earnings per share *(RMB per share)*	0.01	0.03	-66.7%
	AS AT 31 DECEMBER 2018 *(RMB '000)*	**AS AT 31 DECEMBER 2017** *(RMB'000)*	CHANGE IN
Total assets	1,938,278	1,037,051	86.9%
Total equity	978,237	959,915	1.9%

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Success Finance Group Holdings Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative figures for preceding financial year, as follows:

Consolidated statement of profit or loss for the year ended 31 December 2018

(Expressed in Renminbi)

	Note	**2018** *RMB'000*	**2017** *RMB'000*
Guarantee income		343,435	11,202
Less: guarantee service fee		(312,607)	(1,356)
Net guarantee fee income		30,828	9,846
Interest income		36,099	50,990
Less: interest expenses		(16,452)	(263)
Net interest income		19,647	50,727
Service fee from consulting services		5,603	29,249
Revenue	3	56,078	89,822
Other revenue	4	4,964	2,983
Impairment and allowances charged	5(a)	(2,291)	(7,016)
Operating expenses		(53,077)	(53,247)
Net fair value gain on other financial assets		15,885	—
Share of gains/(losses) of associates		1,622	(199)
Profit before taxation	5	23,181	32,343
Income tax	6(a)	(17,900)	(16,692)
Profit for the year		5,281	15,651
Attributable to:			
Equity shareholders of the Company		5,662	16,301
Non-controlling interests		(381)	(650)
Profit for the year		5,281	15,651
Earnings per share (RMB per share)			
Basic	8(a)	0.01	0.03
Diluted	8(b)	0.01	0.03

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** *RMB'000*	**2017** *RMB'000*
Profit for the year		5,281	15,651
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		2,722	(4,129)
Total comprehensive income for the year		8,003	11,522
Attributable to:			
Equity shareholders of the Company		8,384	12,172
Non-controlling interests		(381)	(650)
Total comprehensive income for the year		8,003	11,522

Consolidated statement of financial position at 31 December 2018

(Expressed in Renminbi)

	Note	**31 December 2018** *RMB'000*	**31 December 2017** *RMB'000*
Assets			
Cash and bank deposits	9	719,072	39,382
Pledged bank deposits	10	86,188	95,499
Trade and other receivables	11	725,219	518,570
Factoring receivable	12	90,999	94,849
Finance lease receivable	13	186,906	176,183
Interest in associates		91,602	101,466
Equipment		1,420	1,912
Intangible assets		11	19
Other financial assets	14	23,951	8,066
Deferred tax assets		7,215	1,105
Goodwill	15	5,695	—
Total assets		1,938,278	1,037,051
Liabilities			
Liabilities from guarantees	16	128,187	8,805
Pledged deposits received		309,021	62
Interest-bearing borrowings	17	—	5,231
Liability component of convertible bonds	18	110,640	—
Accruals and other payables	19	393,937	48,217
Current taxation		17,867	12,902
Obligations under finance leases	20	389	506
Deferred tax liabilities		—	1,413
Total liabilities		960,041	77,136
NET ASSETS		978,237	959,915

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
CAPITAL AND RESERVES			
Share capital		4,187	4,241
Reserves		972,179	953,359
Total equity attributable to equity shareholders of the Company		976,366	957,600
Non-controlling interests		1,871	2,315
TOTAL EQUITY		978,237	959,915

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— equity investments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) ***Changes in accounting policies***

(i) *Overview*

The HKICPA has issued a number of new HKFRSs amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments

(ii) HKFRS 15, Revenue from contracts with customers

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and not materially impacted by HKFRS 15. Details of the changes in accounting policies are discussed in note 1(c)(ii) for HKFRS 9 and note 1(c)(iii) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017	**Impact on initial application of HKFRS 9**	**At 1 January 2018**
		(Note 1(c)(ii))	
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Factoring receivable	94,849	(1,120)	93,729
Finance lease receivable	176,183	(1,562)	174,621
Interest in associates	101,466	(8,284)	93,182
Deferred tax assets	1,105	3,320	4,425
Other financial assets	8,066	—	8,066
Total assets	**381,669**	**(7,646)**	**374,023**
Liabilities			
Liabilities from guarantees	8,805	7,965	16,770
Deferred tax liabilities	1,413	(1,413)	—
Total liabilities	**10,218**	**6,552**	**16,770**
NET ASSETS	**371,451**	**(14,198)**	**357,253**
CAPITAL AND RESERVES			
Reserves	953,359	(14,135)	939,224
Total equity attributable to equity shareholders of the Company	**957,600**	**(14,135)**	**943,465**
Non-controlling interests	**2,315**	**(63)**	**2,252**
TOTAL EQUITY	**959,915**	**(14,198)**	**945,717**

Further details of these changes are set out in sub-sections (ii) of this note.

(ii) *HKFRS 9, Financial instruments,* including the amendments to HKFRS 9*, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

Retained earnings	*RMB'000*
Recognition of additional expected credit losses on:	
- factoring receivable	1,120
- finance lease receivable	1,562
- liabilities from guarantees	7,965
Interest in associates	8,284
Related tax	(4,733)
Net decrease in retained earnings at 1 January 2018	14,198

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to- maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

— An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

— Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

— The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at FVPL				
Non-listed equity	—	8,066	—	8,066
Available-for-sale financial assets	8,066	(8,066)	—	—
	8,066	—	—	8,066

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "liabilities from guarantees" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 1(c)(ii)(b) on the financial guarantees are determined to be higher than the amount carried in "liabilities from guarantees" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(c)(ii)(b) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk- free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (other than financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

— factoring receivables;

— lease receivables;

— financial guarantee contracts issued

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, finance lease receivables and factoring receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates ;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB18,931,000, which decreased retained earnings by RMB14,135,000 and non-controlling interests by RMB63,000 and increased gross deferred tax assets by RMB4,733,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	16,913
Additional credit loss recognised at 1 January 2018 on:	
- factoring receivable	1,120
- finance lease receivable	1,562
- liabilities from guarantees	7,965
	27,560

The following table reconciles the closing loss allowance determined in an associate, Success Credit, in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	55,124
Additional credit loss of loan recognised at 1 January 2018	40,492
Loss allowance at 1 January 2018 under HKFRS 9	95,616
Additional credit loss of loan recognised at 1 January 2018	40,492
Less: deferred tax assets	(10,124)
Total effect on retained earnings at 1 January 2018	30,368
Interest in associates (Success Credit, 27.28%)	8,284

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(iii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this annual report.

(iv) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

2 *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the reporting period, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing financing solutions to customers, which is the basis to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non- current assets are principally attributable to the PRC, being the single geographical region.

3 **Revenue**

The principal activities of the Group are the provision of guarantees, financial leasing, factoring and financial consultancy services. The amount of each significant category of revenue recognised during the year is as follows:

	2018 RMB'000	2017 RMB'000
Guarantee fee income		
- Income from financial guarantees	6,159	5,934
- Income from online financial guarantees	332,976	—
- Income from performance guarantees	3,725	5,211
- Income from litigation guarantees	575	57
Gross guarantee fee income	343,435	11,202
Less: guarantee service fee	(312,607)	(1,356)
Net guarantee fee income	30,828	9,846
Interest income from receivables	416	16,981
Interest income from finance leasing	18,295	14,797
Interest income from factoring	6,067	7,562
Interest income from down payments for investment	11,321	11,650
Gross interest income	36,099	50,990
Less: interest expenses	(16,452)	(263)
Net interest income	19,647	50,727
Service fee from consulting services	5,603	29,249
Total	56,078	89,822

During the year 2018, the Group's largest single customer contributed 12.70% of the Group's revenue (2017: 29.48%); while the percentage of the Group's top 5 customers' revenue was 42.87% (2017: 75.58%).

4 Other revenue

	Note	2018	2017
		RMB'000	*RMB'000*
Interest income from bank deposits		2,846	1,557
Interest income from related parties		1,860	—
Government grants	(a)	120	663
Gain on sale of non-current assets		—	734
Others		138	29
Total		4,964	2,983

(a) Guangdong Success Finance Guarantee Company Limited ("Success Guarantee") received funding support mainly from the Office of People's Government of Nanhai District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2018, a government grant amounted to RMB60,000 (2017: RMB274,000) was rewarded to Success Guarantee.

Foshan Success Financial Services Outsouring Limited ("Success Financial Services") received funding support mainly from the Office of People's Government of Chancheng District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to grant financial assistance to financial enterprises located in Chancheng. For the year ended 31 December 2018, a government grant amounted to RMB50,000 (2017: RMB360,000) was rewarded to Success Financial Services.

5 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) ***Impairment allowances and provision - (written back)/charged***

	2018	**2017**
	RMB'000	*RMB'000*
Provision written back for guarantees issued	(1,567)	(441)
Impairment allowances charged for:		
- receivables from guarantee payments	1,614	1,307
- factoring receivable	787	61
- finance lease receivable	1,827	234
- interest in associates	—	5,855
- intangible assets	61	—
Recoveries of amounts previously written off	(431)	—
Total	2,291	7,016

(b) ***Staff costs***

	2018	**2017**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	23,441	26,540
Contributions to defined contribution retirement plan	485	598
Equity settled share-based payment expenses	174	393
Total	24,100	27,531

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) ***Other items***

	2018	2017
	RMB'000	*RMB'000*
Depreciation and amortisation	605	857
Operating lease charges: minimum lease payments	4,132	6,789
Auditors' remuneration	2,407	2,857
- audit services	1,710	1,554
- other services	697	1,303
Net foreign exchange loss/(gain)	4,094	(1,126)

6 **Income tax in the consolidated statement of profit or loss**

(a) ***Taxation in the consolidated statement of profit or loss represents:***

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	20,665	20,065
Under-provision in respect of prior years	25	65
	20,690	20,130
Deferred tax		
Origination and reversal of temporary differences	(2,790)	(3,438)
Total	17,900	16,692

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rates:***

	2018	**2017**
	RMB'000	*RMB'000*
Profit before taxation	23,181	32,343
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	17,713	16,265
Effect of non-deductible expenses	162	362
Under-provision in respect of prior years	25	65
Actual tax expense	17,900	16,692

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

(ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.

(iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

(iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB241,622,000 as at 31 December 2018 (2017: RMB218,895,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Dividends

The Company did not declare dividend through the year of 2018. Thus, there is no balance for dividend payable at 31 December 2018.

8 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,662,000 (2017: RMB16,301,000) and the weighted average of 528,212,000 ordinary shares (2017: 530,805,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	**2017**
	'000	*'000*
Issued ordinary shares at 1 January	530,805	530,805
Effect of shares issued by share option exercised	—	—
Effect of shares repurchase	(2,593)	—
Weighted average number of ordinary shares at 31 December	528,212	530,805

(b) *Diluted earnings per share*

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2018.

As the Group's convertible bonds have an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2018, and, therefore, diluted earnings per share are the same as the basic earnings per share.

9 **Cash and cash equivalents and other cash flow information**

(a) ***Cash and cash equivalents comprise:***

	31 December 2018	**31 December 2017**
	RMB'000	*RMB'000*
Demand deposits and term deposits with banks with original maturity less than three months	235,609	39,234
Restricted customer pledged deposits	61	62
Restricted third-party pledged deposits	308,960	—
Other restricted funds	174,390	—
Cash in hand	52	86
Cash and bank deposits in the consolidated statement of financial position	719,072	39,382
Restricted customer pledged deposits	(61)	(62)
Restricted third-party pledged deposits	(308,960)	—
Other restricted funds	(174,390)	—
Cash and cash equivalents in the consolidated cash flow statement	235,661	39,320

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer or the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer/third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 31 December 2018, restricted customer pledged deposits of RMB56,000 (2017: RMB57,000) were deposited into a designated bank account under tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts.

Pursuant to the agreements in relation to the online financial guarantee business, the Group set up certain arrangements to manage the third parties' pledged deposits.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group. As at 31 December 2018, restricted third-party pledged deposits of RMB308,960,000 (2017: 0) were deposited into a designated bank account under tripartite custodian arrangements.

As at 31 December, the restricted pledged deposits received were maintained as follows:

	31 December 2018	**31 December 2017**
	RMB'000	*RMB'000*
Restricted third-party pledged deposits	308,960	—
Restricted customer pledged deposits:		
- designated custodian bank accounts	56	57
- the Group's bank accounts	5	5
Total	309,021	62

(b) ***Reconciliation of liabilities arising from financing activities***

	Interest-bearing borrowings	Obligations under finance leases	Liability component of convertible bond	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	5,231	506	—	5,737
Changes from financing cash flows:				
Net proceeds from issurance of convertible bonds	—	—	92,422	92,422
Repayment of interest-bearing borrowings	(5,000)	—	—	(5,000)
Interest element of finance lease rentals paid	—	(171)	—	(171)
Interest paid	(335)	—	(4,015)	(4,350)
Total changes from financing cash flows	(5,335)	(171)	88,407	82,901
Exchange adjustments	—	(70)	8,898	8,828
Other changes:				
Interest expenses	104	—	16,224	16,328
Finance charges on obligations under finance leases	—	124	—	124
Increase in other payables	—	—	(3,001)	(3,001)
Decrease in other receivables	—	—	112	112
Total other changes	104	124	13,335	13,563
At 31 December 2018	—	389	110,640	111,029

10 Pledged bank deposits

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowings from banks.

11 **Trade and other receivables**

	Note	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Receivables from guarantee payments	(a)(i)	247,083	259,685
Less:allowances for doubtful debts		(14,432)	(12,818)
		232,651	246,867
Trade debtors from guarantees		22,801	858
Trade debtors from consultancy services		13,344	19,233
Interest arising from receivables from guarantee payments		—	8,500
		36,145	28,591
Trade receivables	(a)	268,796	275,458
Down payments for investments	(b)	74,850	74,850
Deposit and other receivables, net of impairment allowances	(c)	210,378	155,599
Amounts due from related parties		27,568	2,734
		581,592	508,641
Deferred expenses		98,075	1,357
Mortgage assets		3,380	3,561
Others		42,172	5,011
Total		725,219	518,570

(a) ***Ageing analysis of trade receivables***

As of the end of the reporting period, the ageing analysis of trade receivables (net of allowances for doubtful debts), based on the guarantee income recognition date or advance payment date, is as follows:

	31 December 2018 *RMB'000*	**31 December 2017** *RMB'000*
Within 1 month	14,563	1,458
Over 1 month but less than 3 months	—	1,455
Over 3 months but less than 1 year	7,381	78,125
More than 1 year	261,284	207,238
Total	283,228	288,276
Less:allowances for doubtful debts	(14,432)	(12,818)
Total	268,796	275,458

(i) *Receivables from guarantee payments*

Receivables from guarantee payments represented payments made by the Group to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because the customers fail to make payments when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest-bearing and the Group holds certain collaterals over certain customers.

During the year ended 31 December 2018, the Group did not dispose of receivables from guarantee payments.

(b) ***Down payments for investments***

Down payments for investments represented the down payments for the acquisition projects that the Group is conducting.

(c) ***Deposit and other receivables, net of impairment allowances***

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Deposit and other receivables	216,478	161,699
Less:allowances for other receivables	(6,100)	(6,100)
	210,378	155,599

12 Factoring receivable

	31 December 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Factoring receivable	62,000	—	26,950	88,950
Interest receivable from factoring receivable	196	—	4,896	5,092
Less:allowances for impairment losses	(1,569)	—	(1,474)	(3,043)
Carrying amount of factoring receivable	60,627	—	30,372	90,999

	31 December 2017	
	Factoring receivable for which allowances are collectively assessed	Total
	RMB'000	*RMB'000*
Factoring receivable	91,950	91,950
Interest receivable from factoring receivable	4,035	4,035
Less:allowances for factoring receivable	(1,136)	(1,136)
	94,849	94,849

(a) ***Ageing analysis***

As of the end of the reporting period, the ageing analysis of factoring receivable, based on the maturity date in contracts, is as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 1 month	105	320
Over 1 month but less than 3 months	—	22,332
Over 3 months but less than 1 year	65,116	72,188
More than 1 year	28,821	1,145
Total	94,042	95,985
Less:allowances for factoring receivable	(3,043)	(1,136)
Total	90,999	94,849

13 **Finance lease receivable**

	31 December 2018			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Net amount of finance lease receivable	47,919	—	144,567	192,486
Less:allowances for finance lease receivable	(1,389)	—	(4,191)	(5,580)
Carrying amount of finance lease receivable	46,530	—	140,376	186,906

	31 December 2017	
	Finance lease receivables for which allowances are collectively assessed	**Total**
	RMB'000	*RMB'000*
Amounts due from lessees	203,039	203,039
Less: unearned finance income	(24,665)	(24,665)
Less: allowances for finance lease receivable	(2,191)	(2,191)
	176,183	176,183

(a) ***The table below analyses the Group's finance lease receivable by relevant maturity grouping at the end of the reporting period:***

	31 December 2018		31 December 2017	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Overdue	28,179	28,179	466	466
Within 1 year	109,774	116,640	57,212	60,233
After 1 year but within 5 years	54,533	58,357	120,696	142,340
Total	192,486	203,176	178,374	203,039
Less: allowances for finance lease receivable	(5,580)	(5,580)	(2,191)	(2,191)
Total	186,906	197,596	176,183	200,848

14 Other financial assets

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Financial assets measured at FVPL			
— Unlisted equity investment	23,951	8,066	—
Available-for-sale financial assets			
— Unlisted equity investment	—	—	8,066

15 Goodwill

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Acquisition of T. M. Management	5,695	—

On 14 February 2018, the Group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in goodwill arising on a business combination amounted to HKD6,500,000.

16 Liabilities from guarantees

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Deferred income	121,021	8,037
Provision of guarantee losses	7,166	768
	128,187	8,805

17 Interest-bearing borrowings

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Borrowings from		
- Third parties	—	5,000
Interest payable to		
- Third parties	—	231
Total	—	5,231

18 Liability component of convertible bonds

On 1 February 2018, the Company issued the convertible bonds ("CBs") with a principal amount of HKD154,000,000 at face value. For details, please refer to the Company's announcement on 25 January 2018. Major terms of the CBs are as below:

(i) The CBs carry 6% coupon interest per annum payable semi-annually in arrears on 1 February and 1 August in each year. The Company shall pay each bondholder administrative fee equal to one (1) percent of the aggregate principal amount of the outstanding bonds held by each bondholder on each of the issue date and each anniversary thereof.

(ii) The Company may redeem the CBs in full, but not in part, at any time the first anniversary of the issue date at an amount equal to the aggregate of; (i) the aggregate principal amount of all the outstanding CBs; (ii) any accrued but unpaid interest (including any default Interest) and outstanding administrative fees on such outstanding CBs; and (iii) an amount that would yield an internal rate of return of ten (10) per cent on the aggregate principal amount of such outstanding CBs from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company.

(iii) Subject to and upon compliance with those conditions in contract, the conversion right in respect of the CBs may be exercised, at the option of the bondholder thereof, at any time in full or in part after twelve (12) months from the issue date up to the close of business on one (1) business day prior to the maturity date (both days inclusive) by giving a notice to the issuer of not less than ten (10) business days. The conversion price will initially be HKD2.20 per share.

The CBs contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the liability component was estimated to be approximately RMB 93,660,000 as at the issuance date by using the Binomial Tree Model, taking into account the terms and conditions of the CBs. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of CBs is 17.8% per annum. The residual amount less allocated transaction costs representing the value of the equity component of approximately RMB 29,695,000, was presented in equity under the heading 'capital reserve'.

Fair value of the liability component was determined using the Binomial Tree Model and the major inputs into the model are as follows:

	At issue date
Stock price	HKD1.60
Exercise price	HKD2.20
Expected volatility	64%
Dividend yield	0%
Option life	12 months
Risk free rate	1.43%

The movements of components of the CBs during the period are set out below:

	Liability component At amortised cost	**Equity component Residual amount**
	RMB'000	*RMB'000*
At the date of issue	93,660	29,695
Interest charge	16,224	—
Net increase in interest payable	(3,001)	—
Net increase in administrative fee paid in advance	112	—
Interest paid	(4,015)	—
Administrative fee paid	(1,238)	—
Exchange adjustment	8,898	—
At 31 December 2018	110,640	29,695

19 **Accruals and other payables**

	Note	**31 December 2018**	**31 December 2017**
		RMB'000	*RMB'000*
Accruals and other payables	(i)	393,937	48,217
Total		393,937	48,217

(i) Accruals and other payables are expected to be settled within one year or time dependent but both of them are repayable on demand.

20 **Obligations under finance leases**

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	31 December 2018		31 December 2017	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	166	171	164	170
After 1 year but within 2 years	156	171	154	170
After 2 years but within 5 years	67	86	188	254
	389	428	506	594
Less:total future interest expenses		(39)		(88)
Present value of lease obligations		389		506

21 **Share capital and reserves**

(a) ***Authorised and issued share capital***

	2018			2017		
	No. of shares	**Share capital**	**Share capital**	**No. of shares**	**Share capital**	**Share capital**
	'000	*HKD'000*	*RMB'000*	*'000*	*HKD'000*	*RMB'000*
Authorised:						
Ordinary shares of HKD0.01 each	800,000	8,000	6,512	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	530,805	5,308	4,241	530,805	5,308	4,241
Shares issued under share option scheme	—	—	—	—	—	—
Shares repurchased	(6,170)	(62)	(54)	—	—	—
At 31 December	524,635	5,246	4,187	530,805	5,308	4,241

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

In 2018, the world economy witnessed a mild growth while showed signs of deceleration. While certain economies, such as the U.S., enjoyed a stronger growth, Eurozone and other economies suffered a slowdown at various levels. On the whole, the global economic and political turmoil and further escalation of protectionism brought uncertainties to the global economy and slowed down the global economic growth, with a greater division among countries and heightened downside risks; which led to persisting anxiety over the global economic prospects.

In 2018, China remained rational economic operations despite being impacted by unstable external economic environment. The total GDP exceeded RMB 90 trillion, an increase of 6.6% over previous year. In 2018, China's economy made significant progress in refining structure, shifting dynamics and enhancing efficiency while continuously strengthening the supply-side structural reform and expanding effective demand, as well as maintaining production, employment, income and price at stable levels. Meantime, the central government built a better business environment for the small and medium sized enterprises through implementing devolution of power, reduction of taxes and fees and providing guidance to finance sector for supporting the real economy. In particular, in response to the rising financing costs and difficulties in financing, the government lowered the required reserve ratio four times, which effectively alleviated the pressure of rising financing costs, to address the capital shortage issue faced by private companies and small and micro sized enterprises with multi-pronged approach.

In order to actively seize market opportunities, the Group adhered to the operation philosophy of "strategic planning, close connection and balanced development". In response to China's economic condition in the 40th anniversary of the economic reform, the Group gradually propelled the strategic transition of financial services in the prevailing trend. The Group concentrated its efforts in four aspects, namely steadily developing traditional businesses, developing asset management business, innovating financial services for development of enterprises in the Greater Bay Area, and reinforcing cooperation mechanism. Meanwhile, the Group promptly reallocated resources to charting a new path unflaggingly and improving its financial structure continuously, with a view to developing itself into an excellent credit platform that serves the real economy, with pursuing reciprocity and mutual development with clients.

During the reporting period, the financial performance of the Group generally improved and recorded a turnaround to profit. The Group drew the layout for business transformation and moderately invested in resources, thereby the Group's net income from financial guarantee services in 2018 increased by approximately 365.5% as compared with 2017. However, there were additional interest expenses rose due to the issuance of the convertible bonds during the period. As the Group strived to transform its business, its income from both interest penalty and financial consultancy service declined as compared to the same period of last year, whilst part of the income from financial technology business and commercial guarantee business remained to be recognized as deferred income and could not be fully reflected in the profits of the Group in 2018. The Group's total revenue and profit for the year decreased to approximately RMB61.0 million and RMB5.3 million respectively. Meanwhile, the Group's cash and various bank deposits increased by approximately 105.7% from 30 June 2018 to 31 December 2018. It does not only reflect the Group's significantly improved financial condition, but also supports the Group's new customers development and expansion in its business scope.

Industry and Business Review

Guarantee Business

The four supporting rules of the "Regulation on the Supervision and Administration of Financing Guarantee Companies" newly promulgated in April 2018 regulated the types of financial guarantee business and incorporated internet loan guarantee as part of these governed businesses. Banks and licensed guarantee companies started guarantee business with a focus on small and micro sized enterprises and the "Three Rural", thereby offering preferential terms on aspects including risk tolerance, financing costs and fee rates. With the Regulation and the four supporting rules in effect, stringent supervision on financial guarantee organisations led to reduced number of financial guarantee organisations. Companies not fulfilling the rules and regulations will gradually be eliminated from the market, and creating a better environment for qualified guarantee companies. In view of the continued fine-tuning of the pertinent law system, guarantee companies are to step up their efforts in innovating business, expand the scope of guarantee business, construct an established self-protection mechanism, forge multi-parties cooperation, and build a more reasonable partnership model with banks.

During the reporting period, Success Guarantee pursued healthy, standardised and professional development by continuing to provide credit enhancement services to small and medium sized enterprises, adjusting to the development trend of the industry and actively allocating resources, with a view to expanding business operation with innovative mindset.

During the reporting period, the Group actively explored the field of financial technology. Success Guarantee devoted more resources and put together a talented technical team to actively develop financial technology business. Success Guarantee collaborated with large and reputable platforms to expand its business scope beyond geographical limitations and bolster its business to the entire country utilising internet technology, in order to provide professional and efficient financial guarantee services to clients. During the reporting period, as the number of new business partners and customers grew significantly, the Group realised satisfactory income which laid solid foundation for future business development. In addition, Success Guarantee actively responded to the government's policy in supporting small and medium sized enterprises, through maintaining traditional operations and sustaining volume. It also proactively initiated multi-parties' cooperation, innovated and improved product structure in order to offer customised products to clients. Capitalising on the well developing big data environment, the Group developed new business model by applying technology, and enriched product chains in the guarantee segment, thereby further enhancing its core competitiveness and expanding market share. On the other hand, faced with the increasingly stringent market compliance requirements, Success Guarantee increased the registered capital by RMB100 million to RMB 430 million for business expansion. This further enhanced the financial strength of Success Guarantee, thus providing opportunities for large-scale business cooperation and laying a solid foundation for new business development.

Financial Leasing and Factoring Business

With gradually growing penetration in the financial leasing market in China, Success Financial Leasing gave full play to its integrated development advantages to optimise product structure, and provided professional and customised financial leasing services to clients. Success Financial Leasing established its factoring business in 2016, which further enriched the product chain of financial leasing.

Financial Consultancy and Housing Financing Business

In response to the macro trend, the Group reduced its financial consultancy business and gradually retreated from its housing financing business, while promptly diverting its development and concentrating on further development of new businesses.

Developing Asset Management Business

2018 was a year of reform for the asset management industry in Mainland China. The overhaul of the regulatory system reshaped the industry chain of the asset management industry. With the promulgation of the new regulations and related rules on asset management in Mainland China, control measures such as maturity matching and limited management were imposed on non-standardised debt assets. For product management, implicit guarantee was clearly stated as illegal with explicit punitive standard, asset management businesses that are deemed illegal and non-compliance were regulated. With the stringent principles in place, the asset management market gradually moved towards standardisation.

The Group seized the opportunities brought by the reform and leveraged the distinct edge in terms of resources from Mainland China and Hong Kong to propel the development of its asset management business. Its professional team in Mainland China continued to provide asset value appreciation services to clients, while the team in Hong Kong made use of asset management license to provide asset management services to Hong Kong and overseas investors; bringing synergistic development between Mainland China and Hong Kong operations.

Innovating Financial Services for Development of Enterprises in the Bay Area

According to the Greater Bay Area Integrated Financial Service Scheme issued by the Central Bank in July 2018, the Group made use of the resources of Mainland China and Hong Kong to actively provide professional and high-quality resource allocation services, contributing to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

Reinforcing Cooperation Mechanism

During the reporting period, the Group strived to explore new business models by tapping financial technology whilst preserving traditional business channels, and establishing solid partnership with various technological platforms, thereby enhancing the core competitiveness of the Group.

In 2018, the Group strived to set up a framework for inclusive financial services and cooperate with famous insurance agencies and financial technology enterprises to expand business channels. The Group designed customised business model for different clients and obtained quality customers, which significantly enhanced quality of the new business. On the other hand, the leveraging its financial big data analysis team, the Group persistently improved the risk management platform, and utilised the analysing capability of financial big data to lay foundation for maintaining long-term cooperation with clients.

Building on its listing status in Hong Kong, the Group issued convertible bonds of an aggregate principal amount of HK$154 million in early 2018. By the end of 2018, the Group prepaid principal of convertible bonds of HK$10 million and issued convertible bonds of HK$84 million and interest-bearing bills of HK$60 million. Such issuance bore significant strategic importance to the future development of the Group, as it explored new financing channels for the Group, supported its business development, and strengthened its position in the capital market.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group's revenue was approximately RMB56.1 million (year ended 31 December 2017: approximately RMB89.8 million), representing a decrease of approximately 37.5%. Detailed analysis of the Group's revenue is as follows:

Financial guarantee services

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the year ended 31 December 2018, the Group's net revenue generated from financial guarantee services was approximately RMB27.0 million (year ended 31 December 2017: approximately RMB5.8 million), representing an increase of approximately 365.5%. Revenue from financial guarantee business significantly increased in 2018, mainly attributable to the Group's efforts in exploring and developing financial technology, and innovating guarantee business operations, while steadily developing traditional financial guarantee business.

In 2018, the Group received interest income of approximately RMB 0.4 million from receivables (year ended 31 December 2017: approximately RMB 17.0 million), representing a decrease of approximately 97.6% Compared with the same period of last year, the decrease ininterest income from receivables was due to the one-offinterest on payment on behalf of customer charged by theGroup in 2017.

Non-financial guarantee services

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the year ended 31 December 2018, the Group's revenue generated from non-financial guarantee services decreased by approximately 18.9% to approximately RMB4.3 million (year ended 31 December 2017: approximately RMB5.3 million).

Success Guarantee continued to develop the relatively low risk non-financial guarantee services while innovating new guarantee business operations, thereby developing revenue from non-financial guarantee business as a stable impetus of the Group's revenue.

Financial consultancy business

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the year ended 31 December 2018, the Group's revenue generated from financial consultancy services was approximately RMB5.6 million (year ended 31 December 2017: approximately RMB29.2 million).

Revenue from the Group's financial consultancy services experienced a relatively significant decrease in 2018 because all existing businesses within financial consultancy segment were completed, and new businesses decreased as compared with last year, thereby leading to a decrease in revenue.

Financial leasing and factoring business

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the year ended 31 December 2018, revenue from the Group's financial leasing and factoring business increased by approximately RMB2.0 million to approximately RMB24.4 million (year ended 31 December 2017: approximately RMB22.4 million).

Meantime, revenue from factoring business was approximately RMB6.1 million in 2018.

In 2018, capturing the changes in market demand and satisfying potential needs of the clients, the Group continuously provided professional and customised financing leasing services and factoring services to clients by giving play to its advantages, enhancing product structure and strictly adopting risk management measures.

The Group's Interest income from down payments for investment was mainly generated from interest of prepayments for potential acquisition of projects under negotiation. For the year ended 31 December 2018, the revenue of the Group's Interest income from down payments for investment was approximately RMB11.3 million.

Other Revenue

The Group's other revenue comprised interest income from bank deposits, interest income from related parties, government grants, gain on sale of non-current assets and others. For the years ended 31 December 2017 and 2018, the Group's other revenue were approximately RMB3.0 million and RMB5.0 million, respectively, representing an increase of approximately 66.7%. The increase in other revenue was attributable to the increase in interest income due to the increase in cash and bank deposits of the Group in 2018, and also the interest on loan from the financial subsidy towards the Group's associate - Success Credit.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly represents the provision of guarantee losses and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered.

Operating Expenses

For the year ended 31 December 2018, the Group's operating expenses was approximately RMB53.1 million (year ended 31 December 2017: approximately RMB53.2 million). The Group upheld the cost-efficient principle, and managed to decrease operating expenses slightly as compared with last year. In particular, salaries and rent decreased by 11.8% and 39.1% respectively as compared with last year. Meanwhile, agency consultation fees and office expenses increased by 85.0% and 185.0% respectively as compared with last year. Among which, the Group's office expenses in 2018 recorded a relatively higher increase as compared with last year, given the cost for information storage significantly increased in order to facilitate the business growth of Success Guarantee.

Share of Profits of Associates

The share of profits of associates amounted to a gain of approximately RMB1.6 million for the year ended 31 December 2018, representing an increase of approximately RMB1.8 million from a loss of approximately RMB0.2 million for the year ended 31 December 2017. The turnaround from loss in the previous year to profit was because change in fair value of the financial assets, which the Group's associate Success Credit owns, presents a profit/ loss in the income statement. In 2018, fair value of the financial assets recorded a significant rise leading to a net profit of Success Credit.

Profit Before Taxation

The Group's profit before taxation decreased by approximately RMB9.1 million, or approximately 28.2%, from approximately RMB32.3 million for the year ended 31 December 2017 to approximately RMB23.2 million for the year ended 31 December 2018. Such decrease was mainly attributable to the year-on-year decrease in interest income and financial consultancy services income; along with the interest expenses generated from the issuance of convertible bonds by the Group in 2018 with maturity date in 2020.

Income Tax

For the year ended 31 December 2018, the Group's income tax amounted to approximately RMB17.9 million, representing an increase of approximately 7.2% from approximately RMB16.7 million for the year ended 31 December 2017. The increase in income tax was mainly because change in fair value of the financial assets held by group presents a profit/ loss in the income statement. In 2018, fair value of the financial assets recorded a significant rise leading to the increase in income tax for 2018. Such increase was also mainly attributable to the increase of taxable profit and unused tax losses from some subsidiaries.

Trade and Other Receivables — Receivables from Guarantee Payments

Receivables from guarantee payments mainly represent the default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly paid by the Group on behalf of our customers. The Group will then subsequently request repayment from our customers or take possession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments decreased from approximately RMB246.9 million as at 31 December 2017 to approximately RMB232.7 million as at 31 December 2018.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to more effectively utilise the Group's financial resources for obtaining a better return for the shareholders, it has been the Group's general approach that our management will seek for some alternative investment opportunities which could provide a better return but at minimum risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2018, the pledged bank deposits amounted to approximately RMB86.2 million (31 December 2017: approximately RMB95.5 million), representing a decrease of approximately RMB9.3 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB719.1 million (31 December 2017: approximately RMB39.4 million), representing an increase of approximately RMB679.7 million, as compared to the end of last year. The increase in cash and bank deposits was mainly attributable to the net cash inflow generated from the joint project between Success Guarantee and a client, the funds raised from the Group's issuance of convertible bonds under the General Mandate on 1 February 2018, pledged deposits paid by new client of Success Guarantee for collaboration in the new project and the increase of receipts in advance from partner companies.

Interest Rate Risk and Foreign Exchange Risk

As at 31 December 2018, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 2018 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing Ratio

The Group's gearing ratio (total liabilities divided by total equity) increased from approximately 8.0% as at 31 December 2017 to approximately 98.1% as at 31 December 2018, which was mainly attributable to the increase in total liabilities. The increase in total liabilities was mainly caused by the rise in liabilities from guarantee (deferred income), pledge deposits payable to partner companies, liabilities from convertible bonds and receipts in advance from partner companies.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries, bonuses, food allowance and festival bonus to qualified employees. The Group places high importance on staff development and provides training to our staff to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which the Group operates. The Group offers a lot of support to employees with its diverse resources to help boost their self-esteem and leading to their personal development.

The Group maintained stable relationship with its employees. As at 31 December 2018, the Group had 38 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to five insurance and housing provident fund scheme, accident insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB24.1 million for the year ended 31 December 2018.

On 26 February 2018, since the Directors intended to offer greater support for our rapid development in 2018, the Board approved a remuneration payment proposal recommended by the remuneration committee of the Group, pursuant to which 50% of the remuneration of each Director between 1 March 2018 and 31 December 2018 would be withheld. While the 50% withheld remuneration of each of the non-executive director and the independent non-executive directors had been paid before 31 December 2018, the Board, after considering the financial performance of the Group for the financial year ended 31 December 2018, resolved that the Group would not release the 50% remuneration withheld from the executive Directors between 1 March 2018 and 31 December 2018.

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to the Directors and eligible employees.

SOCIAL ENTERPRISE

While serving the local economic development and assisting small and medium sized enterprises, the Group was also engaged in charitable activities to fulfil social responsibilities. We were widely recognised and appreciated for being a role model. Every year, Success Charity Foundation (集成愛心基金), which was voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need. It provides timely support and assistance to families of employees who suffer from serious illnesses or accidental injuries, and goes through difficult times with the employees and their families. In respect of poverty alleviation efforts, Mr. Xu Kaiying, the Executive Director of the Group, visited Butuo County, Liangshan State, Sichuan Province to exchange views on poverty alleviation work, and donated funds supporting industry development in villages under paired support policy to help Liangshan State out of poverty. In addition, Mr. Zhang Tiewei, the Chairman of the Group, has been teaching as an off-campus tutor of the master's degree of finance of Guangdong University of Finance and Economics to nurture brilliant students in joint effort with higher institutions, assist students in developing the habit and thinking that integrates both theories and practice in learning, encourage students to tap into professional knowledge, train up their leadership skills and foster innovation and high moral standards.

PROSPECTS AND OUTLOOK

Macro Outlook

After a relatively strong recovery, the world economy is exposed to downside risks in 2019, whereby great uncertainties in macro policies and the increased financial risks are the main culprits of global economic slowdown. As the emerging economies are stabilising while developed economies are experiencing slowdown, such variation in growth pattern might benefit the development of the emerging markets. On the other hand, worsening labour shortage will bring a high level of core inflation to developed economies, whilst that of other regions is to remain at low levels. Meanwhile, the Federal Reserve temporarily ceases the interest rate hikes, while central banks in Europe and other regions are seeking normalised monetary policies. In general, the economy is likely to continuously experience mild slowdown in 2019.

In 2019, China will continue to focus on the supply side reform, further deepen the marketisation reform, widen the opening up of the economy, and speed up the establishment of a modern economic system. China will also continuously work hard in the Three Critical Battles, reinvigorate the micro economy while innovating and refining macroeconomic regulations. China strives to propel stable economic growth and reform, adjust economic structure, raise living standard of people, prevent risks and maintain stability, to ensure rational economic development.

The “2019 Government Work Report” introduced multiple measures to revitalise the market and improve business environment, particularly naming alleviating corporate’s difficulties in financing as one of the top priorities; and encouraging financial inclusion services in hopes of alleviating financing stress faced by small and medium sized enterprises. On September 28 2018, the China Banking and Insurance Regulatory Commission issued the first ever Financial Inclusion White Paper pointed out that the rapid development of financial inclusion indicates the financial industry’s contribution towards the construction of a modern economic system and its improved ability in serving the real economy. In particular, digital financial inclusion is the key towards the sustainable development of financial inclusion. In addition, the Ministry of Finance reiterated its will to reduce corporate taxes, and established the National Financing Guarantee Fund to support the business development of small and medium sized enterprises. These will provide good business development opportunities to the Group.

In response to the new policy, the Group will continue to forge steady development of traditional businesses, develop asset management business, propel integrated services in the Bay Area and enhance the strength of the Group by means of investing, mergers and acquisitions; in order to achieve rapid development.

Steadily Developing Traditional Businesses, while Actively Innovating Products

The Group will seize the opportunities brought by the development of financial inclusion to maintain the steady development of traditional businesses, safeguarding the operation channels such as guarantee, financial leasing and factoring, in order to explore new markets and enhance investment and financing services for micro, small and medium sized enterprises.

For guarantee business, Success Guarantee will continue to maintain the quality of traditional guarantee business. With small and medium sized enterprises as target clients, the Group will strive to accommodate the demands of the clients and the market. Meanwhile it will follow the latest market trend to devise new products, actively develop financial technology and gradually reshape and refine the risk management mechanism. Success Guarantee will also answer to the national policy in forging cooperation between banks and guarantee companies, while launching innovative products, and providing integrated financing services to small and medium sized enterprises, thus reinforcing the core competitiveness of the Group.

For financial leasing and factoring business, the Group will continue to use its advantages in resource allocation and its professional expertise in product design to provide diversified financial services to clients.

Developing Asset Management Business

The asset management industry experienced an overhaul in 2018, with the process of opening up of the finance industry being further accelerated concurrently. As the domestic asset management companies face international competition, new stage of development of the asset management industry begins. Capitalising on the advantages of its listing status, the Group will pay close attention to market demand, integrate its resources in Hong Kong and Mainland China and furnish diversified asset portfolio management services to clients in need.

Propelling Integrated Services for the Bay Area

With the promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" on 18 February 2019, the Greater Bay Area will strive to further open up the finance industry and give innovative investment and financing services to the real economy within the region. The Group will grasp the opportunities brought by the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and harness the resources in Mainland China and Hong Kong to offer full-scale and diversified financial services to enterprises in the Bay Area, and actively participate in boosting the development of the Bay Area.

Strengthening through Investment, Mergers and Acquisitions

In 2019, the Group will adhere to its long-term development strategy, to explore investment opportunities, expand business scope, obtain customer resources, enhance business capability by share purchase or acquisition; in order to adapt to a financial system that is more open and with higher level of marketisation and technological advancement. Through internal and external investment, along with enrichment and refinement of its business model, the Group will optimise its own development path in the prevailing trend, whilst pursuing mutual development of diverse businesses.

OTHER INFORMATION

Purchase, Sale or Redemption of our Company's Listed Securities

Exercise of share options

Prior to the listing of shares in the share capital of our Company ("**Shares**") on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), our Company granted options to subscribe for an aggregate of 10,000,000 Shares (the "**Pre-IPO Share Options**") pursuant to a share option scheme adopted on 18 October 2013. None of the Pre-IPO Share Options granted have been exercised during the year ended 31 December 2018. As at 31 December 2018, the Pre-IPO Share Options to subscribe for 6,498,000 Shares remained unexercised and the Pre-IPO Share Options to subscribe for 813,000 Shares were forfeited. Save for the Pre-IPO Share Options, our Company has not granted any options to subscribe for Shares.

Share Repurchases

During the year ended 31 December 2018, the Company repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Total Consideration Paid**
		HK$	*HK$*	*HK$*
July 2018	5,770,000	1.13	0.91	5,895,960
October 2018	400,000	0.77	0.72	298,120
	6,170,000			6,194,080

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

Issuance of convertible bonds on 1 February 2018

On 1 February 2018, the Group issued convertible bonds (the "Convertible Bonds") under general mandate in an aggregate principal amount of HK$154,000,000 to the Purchaser (the "Purchaser"). A total of 70,000,000 conversion shares may be issued pursuant to the Convertible Bonds at the initial conversion price of HK$2.20 per conversion share. On 11 January 2019, the terms of the Convertible Bonds were amended, whereas the Group prepaid to the Purchaser a partial principal amount of the Convertible Bonds of HK$10,000,000 and the Purchaser waived the Purchaser 's right of conversion on the Convertible Bonds in the principal amount of HK$60,000,000. Upon the completion of the above, Convertible Bonds were then adjusted to an aggregate outstanding principal amount of HK$84,000,000 with 77,064,200 conversion shares which may be allotted and issued upon the exercise of the Purchaser's conversion rights in full at the adjusted conversion price of HK$1.09 per Share.

Save as disclosed above, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities during the year ended 31 December 2018.

Corporate Governance

Save as disclosed below, our Company has adopted and complied with the code provisions (the"**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2018. In respect of Code Provision A.6.7 of the CG Code, an exective director appointed a proxy to attend the annual general meeting and an independent non-executive Director was not able to attend the annual general meeting of the Company held on 18 May 2018 due to other business commitment. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code of Securities Transactions by Directors

The Company has adopted the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the "**Model Code**") to the Listing Rules, in relation to the dealings in securities of the Company by the Directors.

The Group has made specific enquiry to all Directors and each Director has confirmed that he/she has complied with the standard set out in the Model Code for the year ended 31 December 2018.

DIVIDENDS

The Board resolved not to declare any dividend for the year ended 31 December 2018.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor(s), review the financial statements and material advice in respect of financial reporting and oversee the internal control and risk management systems of the Company. As at 31 December 2018, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2018. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") for the year ended 31 December 2018 is scheduled to be held on 23 May 2019. A notice of AGM will be issued and disseminated to the shareholders of the Company in due course.

Closure of Register of Members

The Company's register of members will be closed from 17 May 2019 to 23 May 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 16 May 2019.

Publication of the annual results announcement and annual report

This announcement has been published on the website of the Company (http://www.chinasuccessfinance.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
China Success Finance Group Holdings Limited
Zhang Tiewei
Chairman and Executive Director

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises (i) five executive directors, namely, Mr. Zhang Tiewei, Mr. Li Bin, Ms. Dai Jing, Mr. Xu Kaiying and Mr. Pang Haoquan, (ii) one non-executive director, namely, Mr. He Darong, and (iii) four independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.